



# ***NMFA Programs, Structure and Budget***



**PRESENTATION TO THE  
LEGISLATIVE FINANCE COMMITTEE**

**ROBERT P. COALTER, CEO  
ROBERT BRANNON, CFO**

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# ***NMFA Purpose***

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In 1992, the New Mexico State Legislature created the New Mexico Finance Authority to coordinate the planning and financing of state and local public projects, to provide for long-term planning and assessment of state and local capital needs and to improve cooperation among the executive and legislative branches of state government and local governments in financing public projects.

Over the years, the purpose was expanded to include financing of economic development and other community development projects.

# ***NMFA Board of Directors***

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**John E. McDermott - Chair**  
McDermott Advisory Services

**William Fulginiti – Vice Chair**  
Executive Director  
New Mexico Municipal League

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CEO  
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Department of Finance & Administration

**Terry White**  
CEO  
Sunwest Trust, Inc.

# ***Mission Based Financing***

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NMFA meets its mission of helping New Mexico's communities by providing access to capital through mission-based funding in three primary areas:

## **Infrastructure and Capital Equipment Projects**

- ❖ Public Project Revolving Fund
- ❖ Local Government Planning Fund
- ❖ Colonias Infrastructure Project Fund

## **Water**

- ❖ Drinking Water State Revolving Loan Fund
- ❖ Water Project Fund
- ❖ Acequia Project Fund

## **Community Facilities and Economic Development**

- ❖ Primary Care Capital Fund
- ❖ Behavioral Health Capital Fund
- ❖ New Markets Tax Credit Program
- ❖ Smart Money Loan Participation Program
- ❖ Collateral Support Participation Program (SSBCI)

# ***Public Project Revolving Fund***

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- ◆ NMFA's "flagship" program
- ◆ Established in 1992 through the New Mexico Finance Authority Act 6-21-6.0 by Sen. Eddie Lopez (SB 172)
- ◆ Low-cost financial assistance for capital equipment, building and infrastructure projects
  - ❖ *Standard Rate – Tax-exempt market interest rates (based on PPRF's 'AAA'/Aa1 bond ratings)*
  - ❖ *Up to \$500,00 of below market interest rate loans for entities with a Median Household Income ("MHI") less than the State average:*
    - ❖ *0% for Entities with an MHI less than or equal to 80% of the State MHI*
    - ❖ *2% for Entities with an MHI greater 80% but less than 100% of the State MHI*
- ◆ The NMFA annually presents to the Legislature a project authorization list which allows NMFA to meet the project timing needs of New Mexico's communities

# ***Public Project Revolving Fund***

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## **◆ Qualified entities include:**

- ❖ *Local Governments*
- ❖ *State Agencies*
- ❖ *Public School*
- ❖ *Volunteer Fire Districts*
- ❖ *Tribal Governments*
- ❖ *Higher Education Institutions*
- ❖ *Special Districts*

## **◆ NMFA staff work with local officials in the following areas:**

- ❖ *Credit and debt capacity analyses*
- ❖ *Loan structuring assistance*
- ❖ *Evaluation of refinancing opportunities*

# Public Project Revolving Fund

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- ◆ **PPRF's high bond ratings are more important now than ever before:**
  - ❖ *Municipal bond market changed profoundly over past several years*
  - ❖ *Ability to improve ratings with bond insurance is very limited*
  - ❖ *Unprecedented level of scrutiny and oversight by federal regulators*
  - ❖ *Enforcement actions by the SEC and IRS are likely to increase*
  - ❖ *Smallest of systems will likely be hit the hardest*
  
- ◆ **The Contingent Liquidity Account is a key component to the PPRF**
  - ❖ *It serves as a rating credit enhancement of the PPRF*
  - ❖ *It ensures the availability of funds for the most economically disadvantaged New Mexico communities during periods of market disruption (i.e. 2008 and 2012)*

# ***Local Government Planning Fund***

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- ◆ Created in 2002 as New Mexico Finance Authority Act 6-21-6.4 by Sen. Campos (SB 40)
- ◆ Provide upfront capital necessary to allow for proper planning of vital water and wastewater projects
- ◆ Initially, statute required that entity repay “grant” if funding for project was received; this provision was eliminated in 2012
- ◆ Program broadened twice in statute
  - ❖ *2005: Master plans, Conservation plans & Economic Development plans*
  - ❖ *2012: All Infrastructure plans*
- ◆ Changes to rules in 2014 significantly increased the use of the fund resulting in a four-fold increase in activity from FY 2014 to FY 2015

# ***Colonias Infrastructure Project Fund***

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- ◆ Created in 2010 by the Colonias Infrastructure Finance Act 6-30-1.0 by Sen. Papen (SB 279)
- ◆ Provides capital to infrastructure projects in designated Colonia communities
- ◆ Funded from 5% of the Senior Severance Tax Bonds annually
- ◆ Overseen by the Colonias Infrastructure Board which is administered by the NMFA
- ◆ In FY 2015, the administration of the Colonias Infrastructure Board and the Colonias Infrastructure Projects were integrated into the NMFA's Water Resources Department resulting in 900% increase in spending from FY 2013 to FY 2015

# Colonias Infrastructure Project Fund

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- ◆ Through four funding cycles to date, the Colonias Board has approved 148 awards totaling nearly \$60 million and leveraging nearly \$40 million in federal funds

Year	Applications Received		CIB Awards Made		Federal Funds Leveraged		Total Funding Provided
	#	Amount	#	Amount	Sources	Amount	
2012	75	\$40,360,527	40	\$13,207,965	USDA, BECC & CDBG	\$13,141,403	\$26,349,368
2013	59	\$37,736,894	37	\$16,640,461	USDA & CDBG	\$8,357,897	\$24,998,358
2014	77	\$40,351,172	43	\$14,235,640	BECC & EPA	\$10,437,286	\$24,672,926
2015	54	\$38,154,397	28	\$15,562,611	USDA, CDBG & DWSRF	\$7,916,095	\$23,478,706
<b>TOTAL</b>	<b>265</b>	<b>\$156,602,990</b>	<b>148</b>	<b>\$59,646,677</b>		<b>\$39,852,681</b>	<b>\$99,499,358</b>

# ***Drinking Water State Revolving Loan Fund***

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- ◆ Established in 1998 through the Drinking Water State Revolving Loan Fund Act 6-21A-4 by Rep. Gary King (HB 592)
- ◆ Low-cost financial assistance for construction and improvements to drinking water facilities
- ◆ DWSRLF Act partners NMFA with the New Mexico Environment Department (NMED) in the administration of the program. NMED quarterly publishes a Fundable Priority List and NMFA accepts applications from the list in the order in which they are listed.
- ◆ State Revolving Loan Fund capitalized by:
  - ❖ *\$161 million in federal awards*
  - ❖ *\$33.3 million in state match*
  - ❖ *\$42.2 million in interest and loan repayments*
- ◆ To date, NMFA has made 91 loans totaling approximately \$160 million and has approved loans to 12 projects totaling approximately \$37.5 million

# ***Water Project Fund***

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- ◆ Established in 2002 through the Water Project Finance Act & 2-4A-9 by Rep. Joe Stell (HB534)
- ◆ Funded from an annual distribution from the Water Trust Fund and 10% of Senior Severance Tax Bonds
- ◆ Provides grants and low-cost loans for five types of water projects:
  1. *Water conservation, treatment, recycling, and reuse projects;*
  2. *Flood prevention projects;*
  3. *Endangered species act (ESA) collaborative projects;*
  4. *Water storage, conveyance and delivery projects;*
  5. *Watershed restoration and management projects*
- ◆ NMFA makes grants and loans recommended by 16-member Water Trust Board and authorized by Legislature

# ***Acequia Project Fund***

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- ◆ Created in 2004 by amending the Water Project Finance Act 72-4A-9.1 by Sen. Cisneros (SB 87)
- ◆ Funded to date from donations from a New Mexico Foundation interested in water projects
- ◆ NMFA makes grants recommended by 16-member Water Trust Board and authorized by Legislature
- ◆ Under current policy, Acequia Project Fund grants are used for planning projects only

# ***Primary Care Capital Fund***

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- ◆ Established in 1994 through the Primary Care Capital Funding Act 24-1C-4 by Rep. Olguin (HB 702)
- ◆ NMFA and Department of Health jointly administer program
- ◆ Funds directed to non-profit primary care clinics with assets of less than \$20 million in rural and medically underserved communities
- ◆ These are 3% interest rate loans:
  - ❖ *Equipment - 10 year term*
  - ❖ *Land & Buildings - 15 year term*
- ◆ Up to 20% of annual principal and interest is forgiven in exchange for services rendered to indigent patients
- ◆ 2005 Legislature expanded eligibility to include school based health centers and tele-health sites

# ***Behavioral Health Capital Fund***

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- ◆ Established in 1994 through the Behavioral Health Capital Funding Act 6-26-4 by Sen. Papen (SB 284)
- ◆ Similar to Primary Care Capital Fund
- ◆ Jointly operated by NMFA and Human Services Department
- ◆ Finance capital needs of small behavioral health clinics
- ◆ Non-Profit clinics with assets of \$10 million or less
- ◆ Funds directed to clinics in rural and medically underserved communities
- ◆ SB 52 from 2005 Legislature authorized NMFA to capitalize fund with \$2.5 million from Cigarette Tax Revenue Bonds

# ***New Markets Tax Credits***

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- ◆ Operated under the Statewide Economic Development Finance Act which was amended in 2006 to explicitly allow NMFA to participate in NMTCs by Rep. Lundstrom (HB 277)
- ◆ NMFA partnered with NM Community Capital to form Finance New Mexico, LLC, which was certified by the US Dept. of Treasury as a Community Development Entity in 2006
- ◆ Finance New Mexico has received three allocations of federal NMTCs totaling \$201 million; approximately \$50 million of available tax credit authority
- ◆ The program is operated using an Advisory Board composed of community leaders across the state. The Advisory Board is required by the federal program, and its purpose is to ensure that investments are benefiting low income persons as intended
- ◆ Financings may only occur in federally designated low income communities as determined by census tract

# ***Economic Development Revolving Fund***

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- ◆ The EDRF is segregated into two sub-accounts to account separately for State and Federal Appropriations:
- ◆ \$5.1 million in net State Appropriations
  - ❖ \$10 million General Fund appropriation in 2005  
(\$5 million was reverted for solvency in 2010)
  - ❖ \$2 million appropriation in 2007  
(\$1.9 million was reverted for solvency in 2011)
- ◆ \$13,168,350 in Federal funds received through the State Small Business Credit Initiative in three payments. All three tranches have been received.

# *Smart Money Initiative*

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- ◆ Established in 2003 via the Statewide Economic Development Finance Act 6-25-1 by Sen. Aragon (SB 934)
- ◆ Allows NMFA to purchase interests in loans made by banks to private for-profit and not-for-profit entities; borrowers must agree to hire a specific number of employees in exchange for the financing
- ◆ NMFA may purchase up to 49% interest in any one loan as long as the borrower agrees to create at least 1 job per \$50,000 of Smart Money borrowed
- ◆ Under amendments made in 2005, NMFA may only make loans to projects determined eligible by the New Mexico Economic Development Department and authorized for funding from the Legislature. In 2011, the Legislature passed a temporarily halt to the authorization requirement until June 30, 2016.

# ***Collateral Support Participation Program***

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- ◆ Same rules and statute as Smart Money
- ◆ In June 2011, the NMFA signed an MOU with the NM Economic Development Department to administer the \$13.2 million in funding made available through the Federal Small Business Jobs Act of 2010. The program is overseen by the US Dept. of Treasury
- ◆ Program's purpose:    1.) *Assist in mitigating bank risk*  
                                     2.) *Increase the flow of capital to small businesses*
- ◆ These funds help provide funding where Smart Money has been unable to help
- ◆ The State is required to leverage 10 private dollars for each Federal dollar by December 31, 2016
- ◆ NMFA has requested the third tranche of funds

# ***Why Bank Loan Participations?***

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- ◆ A loan participation allows NMFA to participate in a business loan by buying a portion of a loan made by a local bank
- ◆ The bank applies to the NMFA on behalf of a business by submitting the information the bank used to reach its lending decision
- ◆ Fill the financing gap and lower costs for New Mexico businesses
- ◆ The bank originates and services the loan as it otherwise would
- ◆ In short, participations allow NMFA to partner with local banks, not compete against, local banks to fund New Mexico businesses

# NMFA Annual Project Activity

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	<b>Projects closed in FY15</b>		<b>Projects closed in FY14</b>	
PPRF	\$ 149,246,396.00	49	\$ 103,795,297.50	63
COPS	\$ -	0	\$ -	0
Planning Grants	\$ 2,151,440.00	43	\$ 495,000.00	11
Colonias	\$ 12,137,558.00	33	\$ 18,303,406.00	42
Drinking Water	\$ 9,009,211.00	9	\$ 8,070,789.00	9
Water Trust Board	\$ 24,080,686.00	24	\$ 27,882,698.00	27
Acequias	\$ -	0	\$ 160,000.00	9
Primary Care	\$ 1,200,000.00	1	\$ -	0
Behavioral Health	\$ -	0	\$ 620,000.00	1
NMTC	\$ -	0	\$ 27,000,000.00	3
Smart Money	\$ -	0	\$ 576,000.00	1
Collateral Support	\$ 1,601,424.00	4	\$ 1,795,678.00	4
Child Care	\$ -	0	\$ -	0
Total	\$ 199,426,715.00	163	\$ 188,698,868.50	170

# ***Loans Receivable by Program***

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	<u>Loans Receivable FY15</u>	<u>Loans Receivable FY14</u>
PPRF	\$ 1,059,731,354.64	\$ 1,087,184,238.98
COPS	\$ 28,000.00	\$ 53,000.00
Planning Grants	\$ -	\$ -
Colonias	\$ 1,550,805.87	\$ 661,349.60
Drinking Water	\$ 82,862,737.51	\$ 67,239,036.18
Water Trust Board	\$ 24,930,440.91	\$ 21,222,995.98
Acequias	\$ -	\$ -
Primary Care	\$ 3,879,778.24	\$ 4,822,145.75
Behavioral Health	\$ 973,308.70	\$ 1,168,302.44
NMTC	\$ 154,286,000.00	\$ 154,286,000.00
Smart Money	\$ 3,852,810.25	\$ 4,681,764.39
Collateral Support	\$ 4,527,970.98	\$ 3,312,526.66
Child Care	\$ 13,459.46	\$ 19,809.86
Total	\$ 1,336,636,666.56	\$ 1,344,651,169.84

# Audit Findings Status Matrix

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BOARD GOVERNANCE	Status
<i>Senate Bill 12</i>	
Certified Public Accountant on Board of Directors	Completed
Entrance/Exit Conference attended by Audit Committee	Completed
Audit Committee meets Regularly with auditors during audit	Completed
Deposits should be made in New Mexico banks	Completed
Minutes and Records approved and maintained	Completed

EXTERNAL AUDIT	Status
<i>Noted by: PWC HEK RLD/SD REDW</i>	
Timeliness of External Audit	Completed
Compliance with Federal Requirements	Completed
Compliance with Bond Covenants	Completed

INTERNAL AUDIT	Status
<i>Noted by: PWC HEK RLD/SD REDW</i>	
Internal Audit Contractor	Completed

STATE COMPLIANCE	Status
<i>Noted by: REDW</i>	
Payment of funds without an approved audit contract	Completed
Timely Cash Receipts Deposit	Completed
Travel and Per Diem	Completed
Equipment	Completed

ACCOUNTING PRACTICES	Status
<i>Noted by: PWC HEK RLD/SD REDW</i>	
Bank Reconciliations timeliness - cutoffs	Completed
Invoice documentation/Credit Card usage	Completed
Journal Entry support	Completed
Treatment for extraordinary items	Completed
Fringe Benefits reporting to IRS	Completed
Lack of up-to-date Procedures	Completed

LOAN SERVICING	Status
<i>Noted by: PWC HEK RLD/SD REDW</i>	
System Implementation for Loan Origination (SILO) Implementation	<u>In Progress</u>

# ***FY 2015 Budget to Actual Highlights***

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Employee vacancies resulted in decreased personnel expenses: lower levels of travel, training, and education expenses.

The internal audit contract came in less than budgeted lowering professional services costs.

Administrative fee revenue and processing fee revenue is down due to a lack of NMTC allocation, reduced loan receivables in PPRF, and reduced bond funded PPRF loans.

Grant revenue and expense are up as activity has increased in the Drinking Water State Revolving Loan, Water Trust Board, Colonias Infrastructure Board, and Planning Grant programs.

# ***FY 2016 Budget Highlights***

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## **Initiative One**

Focus on increasing travel among public lending officers to make contact in all communities. In private lending a new \$45 million dollar NMTC allocation will be marketed across the state.

## **Initiative Two**

To better serve our entities and report to stakeholders there will be additional investment in website and servicing resources. This includes an additional administrator in the Water and Infrastructure Department and a functionality review of the website.

## **Initiative Three**

In order to ensure the Authority's numerous regulatory and programmatic monitoring and reporting responsibilities the NMFA will hire a Compliance Officer and begin the process of creating a compliance department.

# ***FY 2016 Budget Highlights***

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The FY16 budget will include a 5.4% overall increase.

For personal services the 6.8% increase will be primarily related to the addition of the two new positions bringing the number of budgeted positions to 41.

These positions will be investments for initiatives two and three. Currently the Authority is taking a conservative approach and is recognizing no vacancy savings. There will also be increases for annual health insurance renewals and merits.

Professional services will see a slight increase of 1.5% related to increased IT support expenses for initiative two.

Operating expenses are budgeted to increase about 8.5% approximately half of which is related to furniture and fixtures as part of a reconfiguration to incorporate the compliance department; initiative three. The rest will primarily go towards additional travel and marketing expenses related to initiative one.

# NMFA 2015 and 2016 Budget

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	Budget FY 2015	Actual FY 2015	Budget FY 2016	2016 Budget to 2015 Actuals	Budget to Budget FY 2015 and 2016
<b><u>REVENUES</u></b>					
Administration fee revenue	\$ 4,657,000	\$ 2,861,972	\$ 3,939,407	37.6%	-15.4%
Interest revenue bonded loans	54,000,000	43,520,218	47,970,000	10.2%	-11.2%
Interest on equity loans	2,143,000	4,869,045	2,810,650	-42.3%	31.2%
Interest income from investments	550,000	925,670	990,100	7.0%	80.0%
Appropriation revenue	42,000,000	37,157,026	41,569,000	11.9%	-1.0%
Grant revenue	52,350,000	64,031,220	62,426,632	-2.5%	19.2%
<b>Total Revenues</b>	<b>155,700,000</b>	<b>153,365,152</b>	<b>159,705,789</b>	<b>4.1%</b>	<b>2.6%</b>
<b><u>EXPENDITURES</u></b>					
<b>Operating Expenses</b>					
Personnel services	4,650,000	4,461,363	4,966,146	11.3%	6.8%
Professional services	2,700,000	2,565,342	2,741,100	6.9%	1.5%
Operating costs	1,300,000	1,256,398	1,410,298	12.2%	8.5%
<b>Total - Operating Expenses</b>	<b>8,650,000</b>	<b>8,283,103</b>	<b>9,117,544</b>	<b>10.1%</b>	<b>5.4%</b>
<b>Non-Operating Increases (Decreases)</b>					
Capital Outlay	(2,250,000)	(2,167,589)	(14,300,000)	559.7%	535.6%
Grants to others	(42,700,000)	(52,682,986)	(55,378,969)	5.1%	29.7%
Transfers to other agencies	(5,400,000)	(5,634,599)	(5,805,000)	3.0%	7.5%
New loans	(43,468,350)	(34,680,126)	(25,237,677)	-27.2%	-41.9%
Bond/Loan interest Expense	(51,731,650)	(54,617,606)	(48,366,599)	-11.4%	-6.5%
Bond Issuance Expense	(1,500,000)	(674,398)	(1,500,000)	122.4%	0.0%
<b>Net other increases (decreases)</b>	<b>(147,050,000)</b>	<b>(150,457,303)</b>	<b>(150,588,245)</b>	<b>0.1%</b>	<b>2.4%</b>
<b>Excess (deficit) revenues over</b>	<b>\$ -</b>	<b>\$ (5,375,255)</b>	<b>\$ -</b>		

# NMFA Financial Information

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## Statement of Net Position

Assets	September 30, 2015	September 30, 2014	% change
Cash and equivalents	\$ 490,915,643	390,752,519	25.6%
Receivables	1,353,517,357	1,325,227,223	2.1%
Funds held in escrow	14,522,180	9,852,542	47.4%
Unearned Revenue	-	1,630,000	-100.0%
Other assets	31,869	123,878	-74.3%
<b>Total assets</b>	<b>1,858,987,049</b>	<b>1,727,586,162</b>	<b>7.6%</b>
<b>Deferred Outflow of Resources</b>	<b>184,242.00</b>	<b>1,191,181.00</b>	<b>-84.5%</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	1,153,209	239,499	381.5%
Accrued payroll expense	398,110	372,229	7.0%
Debt service amounts payable	95,941,794	86,569,483	10.8%
Funds held for others	117,289,639	49,831,929	135.4%
Bonds payable	1,143,502,468	1,116,467,504	2.4%
<b>Total liabilities</b>	<b>1,358,285,220</b>	<b>1,253,480,644</b>	<b>8.4%</b>
<b>Net Position</b>	<b>500,886,071</b>	<b>475,296,699</b>	<b>5.4%</b>
<b>Total Liabilities and net position</b>	<b>\$ 1,859,171,291</b>	<b>1,728,777,343</b>	<b>7.5%</b>

## Operating Budget analysis

Category	FY 2016 Budget	Actual Expenses thru Sep 30, 2015	% Utilized
Personal services	\$ 4,966,145	1,013,587	20.4%
Travel costs	214,448	19,165	8.9%
Professional services	2,741,100	318,193	11.6%
Operating costs	1,195,850	247,670	20.7%
<b>Totals</b>	<b>\$ 9,117,543</b>	<b>1,598,615</b>	<b>17.5%</b>

## Statement of Revenues and Expenditures for the month ending:

Revenues	September 30, 2015	September 30, 2014	
Appropriation revenues	\$ 12,398,815	13,422,807	-7.6%
Interest income - loans	3,972,723	2,641,182	50.4%
Investment revenue	346,187	155,880	122.1%
Fees revenue	705,907	598,819	17.9%
Grant revenue	7,923,369	18,396,354	-56.9%
	<b>25,347,001</b>	<b>35,215,042</b>	<b>-28.0%</b>
<b>Operating Expenses</b>			
Personnel services and benefits	1,013,587	1,059,956	-4.4%
Professional services	318,193	368,821	-13.7%
Operating costs	266,835	346,301	-22.9%
Bond issue and issuance expense	11,899,045	1,651,542	620.5%
Grant expense	7,310,809	13,611,331	-46.3%
	<b>20,808,469</b>	<b>17,037,951</b>	<b>22.1%</b>
Income (loss)	4,538,532	18,177,091	-75.0%